

SPALDING TOWNSHIP
Financial Report
with Supplemental Information
Prepared in Accordance with GASB-34

For the Year Ended
March 31, 2008

Auditing Procedures Report V1.04

[Reset Form](#)[Email](#)

Issued under Public Act 2 of 1968, as amended .

Unit Name	Spalding Township	County	MENOMINEE	Type	TOWNSHIP	MuniCode	
Opinion Date-Use Calendar	Jul 18, 2008	Audit Submitted-Use Calendar	Aug 15, 2008	Fiscal Year-Use Drop List		2008	

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

<input checked="" type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/>	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? <input type="text" value="NA"/>
<input checked="" type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/>	18. Are there reported deficiencies?
<input checked="" type="checkbox"/>	19. If so, was it attached to the audit report?

General Fund Revenue:	\$ 185,701.00
General Fund Expenditure:	\$ 126,147.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	\$ 485,796.00
Governmental Activities Long-Term Debt (see instructions):	\$ 151,500.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

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CPA Street Address	PO Box 225	City	Marinette	State	WI
				Zip Code	54143
				Telephone	+1 (715) 735-9021
CPA Firm Name	Carl R Sorensen CPA	Unit's Street Address	PO Box 225	City	Marinette
				LU Zip	54143

Spalding Township, Michigan
March 31, 2008

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Carl R. Sorensen

Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT

Town Board
Spalding Township
Menominee County, Michigan

I have audited the accompanying general purpose financial statements of the Governmental Activities, each Major Fund and the Aggregate Remaining Fund Information of Spalding Township, Menominee County, Michigan, for the year ended March 31, 2008, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township's board. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the respective financial position of the Governmental Activities, each major fund and the aggregate remaining fund information of Spalding Township, Menominee County, Michigan, as of March 31, 2008, and the respective changes in financial position thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

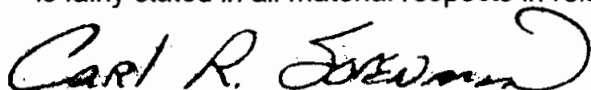
In accordance with *Government Auditing Standards*, I have also issued a report dated July 18, 2008, on my consideration of the Township of Spalding's internal control structure over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

Required Supplemental Information

The Management's discussion and analysis and budgetary comparison information on pages 2 through 7 and pages 21 and 22 are not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. I have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, I did not audit the information and express no opinion on it.

Other Supplemental Information

My audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying information identified in the table of contents as supplemental information is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements of the Spalding Township and in my opinion is fairly stated in all material respects in relation to the financial statements taken as a whole.



July 18, 2008

SPALDING TOWNSHIP

Management's Discussion and Analysis for the Year Ended March 31, 2008

This section of the Township of Spalding's annual financial report presents my analysis of the Township's financial performance during the year ended March 31, 2008. It is to be read in conjunction with the Town's financial statements which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments* and is intended to provide the financial results for the year ending March 31, 2008.

Financial Highlights

The assets of the Township of Spalding exceeded its liabilities as of March 31, 2008 by \$1,362,905 (net assets). Of this amount, \$1,270,937 (unrestricted net assets) may be used to meet the Township's ongoing obligations to citizens and creditors.

The Township of Spalding's total net assets increased by a net amount of \$78,430.

As of March 31, 2008, the Township's Governmental Funds reported combined ending fund balances of \$1,270,937, an increase of \$96,266 in comparison with the prior year. Approximately 22% or \$238,626 is available for spending at the Township's discretion (unrestricted fund balance). The Township has designated \$121,549 for specific purposes and \$645,685 is comprised of Block Grant Funds used to borrow to Company's for economic development.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Township of Spalding's basic financial statements. These basic financial statements are comprised of three components: 1.) Government-Wide Financial Statements, 2.) Fund Financial Statements, and 3.) Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statement

The Government-wide Financial Statements are designed to provide readers with a broad overview of the Township of Spalding's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Township of Spalding's assets and liabilities with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township of Spalding is improving or deteriorating.

SPALDING TOWNSHIP

Management's Discussion and Analysis for the Year Ended March 31, 2008

Government-Wide Financial Statements (continued)

The *Statement of Activities* presents information showing how the Government's net assets have changed during the recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The Government-wide financial statements distinguish functions of the Township of Spalding that are principally supported by taxes and intergovernmental revenues (*Governmental Activities*). The Governmental activities of the Township of Spalding include general Government, public safety, public works, culture and recreation.

The Government-wide financial statements can be found on pages 8 and 9 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township of Spalding, like other state and local Governments, used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township of Spalding can be divided into two categories: Governmental funds and fiduciary funds.

Governmental Funds

Governmental Funds are used to account for essentially the same functions reported as Governmental activities in the Government-wide financial statements. However, unlike the Government-wide financial statements, Governmental fund financial statements focus on *near-term outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a Government's near-term financing requirements.

Because the focus of Governmental funds is narrower than that of the Government-wide financial statements, it is useful to compare the information presented for *Governmental Funds* with similar information presented for *Governmental Activities* in the Government-wide financial statements. By doing so, readers may better understand the long-term impact of the Government's near-term financing decisions. Both the Governmental fund balance sheet and the Governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *Governmental Funds* and *Governmental Activities*.

The basic Governmental fund and financial statements can be found on pages 10 to 13 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the Government. Fiduciary funds are not reflected in the Government-wide financial statement because the resources of those funds are not available to support the Township of Spalding's programs. The fiduciary fund maintained by the Township of Spalding is the Tax Collection Fund which records the tax roll and tax collections for other taxing jurisdictions within the Township of Spalding.

The basic fiduciary financial statements can be found on page 14 of this report.

SPALDING TOWNSHIP

Management's Discussion and Analysis for the Year Ended March 31, 2008

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-wide and fund financial statements. The notes to the financial statements can be found on pages 15 - 20 of this report.

Other information

In addition to the basic financial statements and accompanying notes, *Required Supplementary Information* presents a detailed budgetary comparison statement for the General Fund and Fire Fund to demonstrate compliance with the budget and complements the statement included in the basic Governmental fund financial statements. These statements can be found on pages 21 and 22 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a Government's financial position. In the case of the Township of Spalding, assets exceeded liabilities by \$1,362,905 at the close of March 31, 2008.

Township of Spalding's Net Assets

	Governmental Activities March 31, 2008
Current and other assets	\$ 1,270,937
Capital assets	243,468
Total Assets	<u>\$ 1,514,405</u>
Long-term liabilities outstanding	\$ 151,500
	<u>\$ 151,500</u>
Net Assets:	
Invested in capital assets net of related debt	\$ 91,968
Unrestricted	<u>1,270,937</u>
	<u>\$ 1,362,905</u>

A portion of the Township of Spalding's net assets (approximately 16%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that are still outstanding. The Township of Spalding uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township of Spalding's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. At March 31, 2008, the Township had debt relating to these assets as described in Note 6 of the financial statements.

Another portion of the town's net assets comprises of notes receivable (approximately 19%). These amounts represent loans to local businesses for economic development. They are paid back to the Township in varying installments with varying rates of interest charged.

SPALDING TOWNSHIP

Management's Discussion and Analysis for the Year Ended March 31, 2008

Governmental Activities

Governmental activities increased the Township of Spalding's net assets by \$78,430 accounting for 100% of the total growth in the net assets of the Township of Spalding. Key elements of this increase are as follows:

	<u>Governmental Activities March 31, 2008</u>
REVENUE	
Program Revenue:	
Charges for service	\$ 25,268
Operating grants and contributions	104,484
General Revenue	
Property taxes	104,034
Investment income	47,016
Miscellaneous	<u>7,410</u>
Total Revenue	288,212
 EXPENSES	
General Government:	104,370
Public safety	69,943
Public works	22,525
Culture and recreation	<u>12,944</u>
Total Expenses	<u>209,782</u>
 Increase in Net Assets	 78,430
 Net Assets - beginning of year	 <u>1,284,475</u>
 Net Assets - end of year	 <u>\$ 1,362,905</u>

SPALDING TOWNSHIP

Management's Discussion and Analysis for the Year Ended March 31, 2008

Public safety activities accounts for approximately 33% of total expenditures within the Governmental funds of the Township of Spalding.

Public works accounts for approximately 11% percent of total expenditure within Governmental funds of the Township of Spalding.

Historically state revenue is the largest revenue source for Governmental Activities accounting for 36% of total revenue. Property tax revenues provide 35% of total revenue.

Financial Analysis of the Government's Funds

As noted earlier the Township of Spalding uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Township of Spalding's *Governmental Funds* is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Township of Spalding's financing requirements. In particular, unreserved fund balances may serve as a useful measure of a Government's net resources available for spending at the end of the fiscal year.

As of March 31, 2008, the Township of Spalding's Governmental funds reported combined ending balances of \$1,270,937 a increase of \$96,266 in comparison with the prior year. Approximately 10% or \$121,549 constitutes unreserved fund balance, which is available for spending at the Government's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed for other projects.

General Fund Budgetary Highlights

The original general fund and fire fund budgets were amended during the year. Actual revenue and expenditures were less than budgeted amounts in the general fund.

The fire fund expenditures exceeded actual expenditures and revenues were slightly more than anticipated budgeted amounts.

A budget for the Block Grant was not prepared or adopted.

Budget details are included on pages 21 and 22.

SPALDING TOWNSHIP

Management's Discussion and Analysis for the Year Ended March 31, 2008

Capital Asset and Debt Administration

Capital Assets

The Township of Spalding's investment in capital assets for its Governmental activities as of March 31, 2008 amounts to \$243,468 net of accumulated depreciation. This investment in capital assets includes land, buildings, machinery, equipment and infrastructure.

Township of Spalding's Capital Assets

	<u>Governmental Activities</u>
Land improvements	\$ 36,000
Buildings	128,000
Machinery and equipment	<u>549,102</u>
Total Capital Assets	713,102
Less accumulated depreciation	<u>469,634</u>
Capital Assets Net of Depreciation	<u>\$ 243,468</u>

Debt

The Township debt activity consisted of financing a new fire truck as described in Note 6.

Township of Spalding's Outstanding Debt

	<u>Balance 04-01-07</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 03-31-08</u>
USDA Rural Development Loan	<u>\$ 159,500</u>	<u>\$ —</u>	<u>\$ 8,000</u>	<u>\$ 151,500</u>

Requests for Information

This financial report is designed to provide a general overview of the Township of Spalding's finances for all those with an interest in the Government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Township Board.

SPALDING TOWNSHIP

**Statement of Net Assets
for the Year Ended March 31, 2008**

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 969,491
Internal funds	111
Due from other Governmental units	6,634
Current portion of notes receivable	<u>27,000</u>
Total Current Assets	<u>1,003,236</u>
Non-Current Assets	
Note receivable	267,701
Capital assets	713,102
Less accumulated depreciation	<u>(469,634)</u>
Total Non-Current Assets	<u>511,169</u>
Total Assets	<u>\$ 1,514,405</u>
LIABILITIES	
Current Liabilities	
Accounts payable	\$ —
Current portion of note payable	<u>9,000</u>
Total Current Liabilities	<u>9,000</u>
Long-Term Liabilities	
Note payable	<u>142,500</u>
Net Assets	
Net assets invested in capital assets, net of related debt	91,968
Unrestricted	<u>1,270,937</u>
Total Net Assets	<u>1,362,905</u>
Total Liabilities and Net Assets	<u>\$ 1,514,405</u>

SPALDING TOWNSHIP

Statement of Activities for the Year Ended March 31, 2008

		<u>Program Revenue</u>		<u>Governmental Activities</u>
	<u>Expense</u>	<u>Charges For Service</u>	<u>Operating Grants</u>	<u>Net (Expense) Revenue and Change in Net Assets</u>
FUNCTIONS/PROGRAMS				
Governmental Activities:				
General Government	\$ 104,370	\$ 25,268	\$ 97,944	\$ 18,842
Public safety	69,943	—	6,540	(63,403)
Public works	22,525	—	—	(22,525)
Culture and recreation	12,944	—	—	(12,944)
Total Governmental Activities	<u>\$ 209,782</u>	<u>\$ 25,268</u>	<u>\$ 104,484</u>	<u>(80,030)</u>

GENERAL REVENUES

Taxes:

Property taxes, levied for general operations	52,294
Property taxes, levied for fire service	51,740
Interest and investment earnings	47,016
Miscellaneous	<u>7,410</u>
Total General Revenue	<u>158,460</u>

Changes in Net Assets

78,430

Net Assets:

Beginning of year	<u>1,284,475</u>
End of year	<u>\$ 1,362,905</u>

SPALDING TOWNSHIP
Balance Sheet
Governmental Funds
for the Year Ended March 31, 2008

	<u>General</u>	<u>Fire</u>	<u>Block Grant</u>	<u>Other Governmental Units</u>	<u>Total</u>
ASSETS					
Cash and cash investments	\$ 482,104	\$ 40,468	\$ 350,984	\$ 95,935	\$ 969,491
Due from other fund	111	—	—	—	111
Due from other Governmental units	3,581	3,053	—	—	6,634
Notes receivable	—	—	294,701	—	294,701
	<u>\$ 485,796</u>	<u>\$ 43,521</u>	<u>\$ 645,685</u>	<u>\$ 95,935</u>	<u>\$ 1,270,937</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ —	\$ —	\$ —	\$ —	\$ —
Total Liabilities	—	—	—	—	—
FUND BALANCES					
Designated for: budget stabilization	24,144	—	—	—	24,144
Designated for: improvements	55,336	—	—	—	55,336
Designated for: landfill closure	42,069	—	—	—	42,069
Undesignated	364,247	43,521	645,685	95,935	1,149,388
Total Fund Balance	<u>485,796</u>	<u>43,521</u>	<u>645,685</u>	<u>95,935</u>	<u>1,270,937</u>
Total Liabilities and Fund Balances	<u>\$ 485,796</u>	<u>\$ 43,521</u>	<u>\$ 645,685</u>	<u>\$ 95,935</u>	<u>\$ 1,270,937</u>

SPALDING TOWNSHIP
Governmental Funds
Reconciliation of Balance Sheet of Governmental Funds to Net Assets
for the Year Ended March 31, 2008

Total Fund Balances - Governmental Funds	\$ 1,270,937
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*Amounts Reported for Governmental Activities in the statement
of net assets are different because:*

Capital assets used in Government assets	713,102
Accumulated depreciation	(469,634)

*Long-term liabilities are not due and payable in the current
period are not reported in the funds*

Note payable	(<u>151,500</u>)
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Net Assets of Governmental Activities	<u>\$ 1,362,905</u>
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SPALDING TOWNSHIP
 Combined Statement of Revenues, Expenditures and Changes
 in Fund Balances - Governmental Fund
 for the Year Ended March 31, 2008

	<u>General</u>	<u>Fire</u>	<u>Block Grant</u>	<u>Other Governmental Units</u>	<u>Total</u>
REVENUE					
Taxes	\$ 52,294	\$ 51,740	\$ —	\$ —	\$ 104,034
State grants	96,951	—	—	993	97,944
Charges for services	18,418	—	—	6,850	25,268
Interest and rents	15,970	1,527	25,064	4,455	47,016
Local unit contributors	—	—	—	6,540	6,540
Other revenue	<u>2,068</u>	<u>4,212</u>	<u>—</u>	<u>1,130</u>	<u>7,410</u>
Total Revenues	185,701	57,479	25,064	19,968	288,212
EXPENDITURES					
General Government	91,491	—	—	11,816	103,307
Public safety	—	35,268	—	7,425	42,693
Public works	22,525	—	—	—	22,525
Culture and recreation	12,131	—	—	—	12,131
Debt retirement	<u>—</u>	<u>11,290</u>	<u>—</u>	<u>—</u>	<u>11,290</u>
Total Expenditures	126,147	46,558	—	19,241	191,946
Excess of Revenues Over (Under) Expenditures	59,554	10,921	25,064	727	96,266
OTHER FINANCING SOURCES (USES)					
Operating transfers in	25,562	—	—	3,835	29,397
Operating transfers out	<u>—</u>	<u>(6,909)</u>	<u>(8,738)</u>	<u>(13,750)</u>	<u>(29,397)</u>
Total Other Finance Uses	25,562	(6,909)	(8,738)	(9,915)	—
Net Changes in Fund Balance	85,116	4,012	16,326	(9,188)	96,266
Fund Balances April 1	<u>400,680</u>	<u>39,509</u>	<u>629,359</u>	<u>105,123</u>	<u>1,174,671</u>
Fund Balances March 31	<u>\$ 485,796</u>	<u>\$ 43,521</u>	<u>\$ 645,685</u>	<u>\$ 95,935</u>	<u>\$ 1,270,937</u>

SPALDING TOWNSHIP
Reconciliation of the Statement of Revenue, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
for the Year Ended March 31, 2008

Net Change in Fund Balances - Total Governmental Funds	\$ 96,266
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Amounts reported for Governmental Activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures in the statement of activities, these costs are allocated over their estimated useful lives as depreciation

Depreciation expense	(25,836)
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Note payable payment reported in the Governmental funds as an expenditure but not in the statement of activities	<u>8,000</u>
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Changes in Net Assets of Governmental Activities	<u>\$ 78,430</u>
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SPALDING TOWNSHIP
Statement of Fiduciary Net Assets
Fiduciary Fund
for the Year Ended March 31, 2008

	Agency Fund Tax <u>Collection</u>
ASSETS	
Cash and cash equivalents	<u>111</u>
Total Assets	\$ <u>111</u>
LIABILITIES	
Due to other funds	<u>111</u>
Total Liabilities	\$ <u>111</u>

Spalding Township
Notes to Financial statements
March 31, 2008

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Spalding Township is incorporated under the laws of the State of Michigan. The Township operates under an elected Board. The Township provides the services of Fire Protection and General Administrative Services. The accounting policies of Spalding Township conform to generally accepted accounting principles as applicable to Governmental units.

A. Government-Wide Financial statements

The Government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary Government. For the most part, the effect of Interfund activity has been removed from these statements. Governmental activities which normally are supported by taxes and Intergovernmental revenues are reported separately from business-type activities which rely to a significant extent on fees and charges for support. All the Town's Government-wide activities are considered Governmental activities.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the intergovernmental payments and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for Governmental funds and fiduciary funds even though the latter are excluded from the Government-wide financial statements. Major individual Governmental funds are reported as separate columns in the fund financial statements.

GOVERNMENTAL FUNDS

General Fund

The general fund is used to account for all financial transactions not accounted for in another fund, including the general operation expenditures of the local unit. Revenues are derived primarily from property taxes, state grants and other Intergovernmental revenues.

Special Revenue Fund

Special revenue funds are used to account specific Governmental revenue requiring separate accounting because of legal or regulatory provisions or administrative action.

FIDUCIARY FUND

Trust and Agency Funds

The fiduciary fund is used to account for assets held as an agent for others.

Spalding Township
Notes to Financial statements
March 31, 2008

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation
Government-Wide Statements

The Town's financial statements are reported using the economic resource's measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred regardless of when the related cash transaction takes place. Property taxes are recognized as revenue in the year for which they are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

As a general rule the effect of Interfund activity has been eliminated from the Government-wide financial statements.

Accounts reported as program revenue included (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and state aid.

Fund-Based Statements

Governmental fund financial statements are reported using the current financial resource's measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. The Township considers all revenues reported in the Governmental funds to be available if the revenues are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the Government considers revenues to be available if they are collected within sixty days after the end of the fiscal year. Expenditures generally are recorded when the related fund liability is incurred as under the accrual accounting.

Property taxes, state aid, Intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the Government.

The fiduciary fund statement is also reported using the economic resources measurement focus and the accrual basis of accounting.

C. Cash and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Township. State statutes authorize the Governing body of a township to invest surplus funds in direct obligations of the United States Treasury, in deposit and savings accounts of any federally insured bank, savings and loan or credit union, commercial paper, United States repurchase agreements, bankers' acceptance of U.S. banks, in certain mutual funds and in investment pools.

Investments are reported at fair value which is determined using select basis. Short-term investments are reported at cost which approximates fair value; securities traded on a national exchange are valued at the last reported sales price at current exchange rates. Cash deposits are reported at carrying amounts which reasonable estimate fair value.

Spalding Township
Notes to Financial statements
March 31, 2008

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

D. Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

E. Fund Balance Designations

The Township classifies its' Fund Balances as follows:

- 1.) Designations of fund balance represent tentative plans by the Township for financial resource utilization in a future period as documented in the minutes or budgeting process for a succeeding year.
- 2.) Undesignated fund balance indicates that portion of fund balance which is available for use in future periods.

F. Budget Basis of Accounting

Budgets are adopted on the modified accrual basis of accounting. The original budgets were amended January 18, 2008 and are presented in the accompanying financial statements.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1.) Prior to March 1, the Clerk submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- 2.) Public hearings are held to obtain taxpayer comments.
- 3.) Prior to April 1, the budget is legally enacted.
- 4.) The Township Board may authorize transfer budget amounts between departments within any fund and any revisions that alter the total expenditures of any fund.
- 5.) Formal budgetary integration is employed as management control device during the year for the general fund and special revenue funds.

G. Capital Assets

Capital assets which include land, buildings, equipment and vehicles are reported in the applicable Governmental column in the Government-wide financial statements. Capital assets are defined by the Government as assets with an initial individual cost of more than \$2,000 and estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extended asset life is not capitalized.

Spalding Township
Notes to Financial statements
March 31, 2008

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

G. Capital Assets (continued)

Buildings and equipment are depreciated using the straight-line method over the following useful lives:

Buildings and additions	40 years
Vehicles and other equipment	5 - 10 years
Infrastructure	60 years

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimated.

NOTE 2 DEPOSITS AND INVESTMENTS

At year end the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash & cash equivalents	\$ 969,491	\$ 111	\$ 969,602
Investments	—	—	—
	<u>\$ 969,491</u>	<u>\$ 111</u>	<u>\$ 969,602</u>

The breakdown between deposits and investments for the Township is as follows:

Deposits	\$ 969,602
Investments in securities	—
Petty cash and cash on hand	—
	<u>\$ 969,602</u>

As required by Governmental Accounting Standards Board Statement No. 40, *Deposits and Investment Risk Disclosures* the following represents a summary of deposits as of March 31, 2008.

Fully insured deposits	\$ 663,757
Collateralized with securities held by the pledging financial institution in the school name	—
Collateralized with securities held by the pledging financial institution trust department	—
Uncollateralized	<u>309,314</u>
	<u>\$ 973,071</u>

State statutes authorize the Town to make deposits in the account of federally insured banks, credit unions and savings and loan associations which have an office in Michigan; the Town is allowed to invest in U.S. Treasury or Agency obligation, U.S. Government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchases which mature not more than 270 days after the date of purchases, mutual funds and investment pools that are composed of authorized investment vehicles. The Township's deposits are in accordance with statutory authority.

The Township had no investments at March 31, 2008.

Spalding Township
Notes to Financial statements
March 31, 2008

NOTE 3 PROPERTY TAXES:

The Township's annual property tax on real and personal property within the Township is levied on December 1 and is based on assessed valuation of property as of the preceding December 31 of \$32,530,601 and mileage of 2.8540. Assessed valuation which is required by law to be 50% of current market value, is established by the Township and is subject to possible equalization by the State. In addition to collecting their own taxes, the Township also acts as a collection agent for all overlapping Governments in the Township which includes school districts and the county.

NOTE 4 CAPITAL ASSETS

The changes in capital are as follows:

	Balance April 1, 2007	Additions	Disposals	Balance March 31, 2008
Land	\$ 36,000	\$ —	\$ —	\$ 36,000
Buildings	128,000	—	—	128,000
Equipment	<u>549,102</u>	<u>—</u>	<u>—</u>	<u>549,102</u>
	713,102	—	—	713,102
Less: Accumulated Depreciation	<u>443,798</u>	<u>25,836</u>	<u>—</u>	<u>469,634</u>
Net Assets	<u>\$ 269,304</u>	<u>\$ (25,836)</u>	<u>\$ —</u>	<u>\$ 243,468</u>

Depreciation expenses were charged to funds as follows:

General	\$ 1,063
Culture & recreation	813
Fire	<u>23,960</u>
	<u>\$ 25,836</u>

NOTE 5 JOINT VENTURE

The Township participates in the Powers-Spalding Water Authority. This joint venture does not meet the criteria for inclusion within the reporting entity since the Water Authority is:

Financially independent and responsible for financing its own deficits and entitled to its own surpluses.

Has a separate Governing Board.

Has a separate management which is responsible for day to day operations and is accountable to the separate Governing Board.

The Governing Board and management have the ability to significantly influence operations by approving budgetary requests and adjustments, signing contracts, hiring personnel and determining the outcome or disposition of matters affecting the recipients or services provided and has absolute authority over all funds and fiscal responsibility and reporting to state agencies and control fiscal management.

Spalding Township
Notes to Financial statements
March 31, 2008

NOTE 5 JOINT VENTURE (continued)

The Township has two members on the Board. This Board has final authority for all budgeting and financing of the joint venture. The Township's share of the joint venture is one third. The audited financial information of the Authority as of February 29, 2008 is as follows:

Assets	<u>\$ 2,954,074</u>
Current liabilities	\$ 38,370
Long-term liabilities	1,009,000
Fund equity	<u>1,906,704</u>
Total Liabilities and Fund Equity	<u>\$ 2,954,074</u>
Revenue	\$ 729,943
Expenditures	<u>153,887</u>
Net Income	<u>\$ 576,056</u>

NOTE 6 LONG-TERM DEBT

Changes in long-term debt are summarized as follows:

	Balance <u>April 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>March 31, 2008</u>
U.S. Rural Development	<u>\$ 159,500</u>	<u>\$ —</u>	<u>\$ 8,000</u>	<u>\$ 151,500</u>

USDA Rural Development Loan

On May 1, 2008, the Township entered into a loan with the USDA Rural Development to purchase a new fire truck. The interest rate is 4.125% with payments made semiannually on November 1 and May 1. The summary of principal payments are as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2008	\$ 9,000	2014	\$ 11,500
2009	9,000	2015	12,000
2010	9,500	2016	12,500
2011	10,500	2017	13,000
2012	11,000	2018	13,500
2013	11,000	2019	14,000
		2020	<u>15,000</u>
			<u>\$ 151,500</u>

NOTE 7 RISK MANAGEMENT

The Townships risk management activities are recorded in the General Fund. Significant losses are covered by commercial insurance. For these insured programs there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the three prior years.

NOTE 8 TOTAL - MEMORANDUM ONLY

The combined financial statements of fund types present total columns for the year ended March 31, 2008 which aggregate the columnar statements by fund type. These columns are presented only for comparative purposes and should not be construed as presenting consolidated financial information.

Required Supplemental Information

SPALDING TOWNSHIP
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balance - Budget and Actual
 General Fund
 for the Year Ended March 31, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
REVENUES:			
Taxes	\$ 50,316	\$ 54,017	\$ 52,294
State grants	83,500	96,951	96,951
Charges for services	15,000	18,418	18,418
Interest and rents	10,000	15,970	15,970
Other revenue	<u>5,120</u>	<u>6,162</u>	<u>2,068</u>
Total Revenues	163,936	191,518	185,701
EXPENDITURES			
General Government	102,661	122,570	91,491
Public works	51,275	45,580	22,525
Culture and recreation	<u>10,000</u>	<u>12,131</u>	<u>12,131</u>
Total Expenditures	<u>163,936</u>	<u>180,281</u>	<u>126,147</u>
Excess of Revenues Over (Under) Expenditures	—	11,237	59,554
OTHER FINANCING SOURCES (USES):			
Operating transfers in	—	—	25,562
Operating transfers out	<u>—</u>	<u>—</u>	<u>—</u>
Total Other Financing Sources (Uses)	<u>—</u>	<u>—</u>	<u>25,562</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	—	11,237	85,116
FUND BALANCES April 1	<u>400,680</u>	<u>400,680</u>	<u>400,680</u>
FUND BALANCES MARCH 31	<u>\$ 400,680</u>	<u>\$ 411,917</u>	<u>\$ 485,796</u>

SPALDING TOWNSHIP
Combined Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Fire Fund
for the Year Ended March 31, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
REVENUES:			
Taxes	\$ 53,574	\$ 53,751	\$ 51,740
Interest and rents	800	1,311	1,527
Other revenue	<u>1,000</u>	<u>545</u>	<u>4,212</u>
Total Revenues	55,374	55,607	57,479
EXPENDITURES			
Public safety	37,405	28,968	35,268
Debt retirement	<u>17,969</u>	<u>11,290</u>	<u>11,290</u>
Total Expenditures	<u>55,374</u>	<u>40,258</u>	<u>46,558</u>
Excess of Revenues Over (Under) Expenditures	—	15,349	10,921
OTHER FINANCING SOURCES (USES):			
Operating transfers out	<u>—</u>	<u>—</u>	<u>(6,909)</u>
Total Other Financing Sources (Uses)	<u>—</u>	<u>—</u>	<u>(6,909)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	—	15,349	4,012
FUND BALANCES April 1	<u>39,509</u>	<u>39,509</u>	<u>39,509</u>
FUND BALANCES MARCH 31	<u>\$ 39,509</u>	<u>\$ 54,858</u>	<u>\$ 43,521</u>

Other Supplemental Information

SPALDING TOWNSHIP
Non-Major Governmental Funds
Combining Balance Sheet
for the Year Ended March 31, 2008

	<u>Special Revenue</u>			<u>Permanent Fund Perpetual Care</u>	<u>Total</u>
	<u>Cemetery</u>	<u>Liquor</u>	<u>Community Grant</u>		
ASSETS					
Cash and cash investments	\$ 4,118	\$ —	\$ 20,620	\$ 71,197	\$ 95,935
Due from other Governmental units	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Assets	<u>\$ 4,118</u>	<u>\$ —</u>	<u>\$ 20,620</u>	<u>\$ 71,197</u>	<u>\$ 95,935</u>
 LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ —	\$ —	\$ —	\$ —	\$ —
Total Liabilities	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
FUND BALANCES					
Undesignated	<u>4,118</u>	<u>—</u>	<u>20,620</u>	<u>71,197</u>	<u>95,935</u>
Total Liabilities and Fund Balance	<u>\$ 4,118</u>	<u>\$ —</u>	<u>\$ 20,620</u>	<u>\$ 71,197</u>	<u>\$ 95,935</u>

SPALDING TOWNSHIP
Non-Major Governmental Funds
Combining Statement of Revenues, Expenditures and Changes
for the Year Ended March 31, 2008

	<u>Special Revenue</u>			<u>Permanent Fund</u>	
	<u>Cemetery</u>	<u>Liquor</u>	<u>Community Grant</u>	<u>Perpetual Care</u>	<u>Total</u>
REVENUES					
State grants	\$ —	\$ 993	\$ —	\$ —	\$ 993
Charges for services	6,850	—	—	—	6,850
Interest and rents	141	—	464	3,850	4,455
Local unit contributors	—	—	6,540	—	6,540
Other revenue	<u>180</u>	<u>—</u>	<u>—</u>	<u>950</u>	<u>1,130</u>
Total Revenues	<u>7,171</u>	<u>993</u>	<u>7,004</u>	<u>4,800</u>	<u>19,968</u>
EXPENDITURES					
General Government	11,816	—	—	—	11,816
Public safety	<u>—</u>	<u>885</u>	<u>6,540</u>	<u>—</u>	<u>7,425</u>
Total Expenditures	<u>11,816</u>	<u>885</u>	<u>6,540</u>	<u>—</u>	<u>19,241</u>
Excess of Revenues Over (Under) Expenditures	(4,645)	108	464	4,800	727
OTHER FINANCING SOURCES (USES)					
Operating transfers in	3,835	—	—	—	3,835
Operating transfers out	<u>(9,807)</u>	<u>(108)</u>	<u>—</u>	<u>(3,835)</u>	<u>(13,750)</u>
Total Other Finance Uses	<u>(5,972)</u>	<u>(108)</u>	<u>—</u>	<u>(3,835)</u>	<u>(9,915)</u>
Net Changes in Fund Balance	(10,617)	—	464	965	(9,188)
Fund Balance April 1	<u>14,735</u>	<u>—</u>	<u>20,156</u>	<u>70,232</u>	<u>105,123</u>
Fund Balance March 31	<u>\$ 4,118</u>	<u>\$ —</u>	<u>\$ 20,620</u>	<u>\$ 71,197</u>	<u>\$ 95,935</u>

SPALDING TOWNSHIP
General Fund
Statement of Revenues
for the Year Ended March 31, 2008

Taxes:

Property taxes	\$ 44,466
Swamp tax	4,430
CFA tax	<u>3,398</u>
	52,294

State Grants:

State revenue sharing	96,951
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Charges for Services:

Administrative fee	18,418
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Interest and Rentals:

Interest	15,970
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Other:

Camp fees	1,612
Miscellaneous	<u>456</u>
	<u>2,068</u>
	<u>\$ 185,701</u>

SPALDING TOWNSHIP
General Fund
Statement of Expenditures
for the Year Ended March 31, 2008

General Government:

Township Board	\$ 5,342
Township Supervisor	8,868
Township Clerk	7,956
Township Treasurer	14,223
Elections	2,438
Township hall	6,911
Assessing	23,038
Board of Review	1,322
Payroll taxes	3,496
Insurance	10,157
Revolving loan expense	4,094
Other	<u>3,646</u>
	91,491

Recreation and Culture:

Parks	12,131
-------	--------

Public Works:

Street lighting	8,979
Streets and highways	4,973
Water authority	<u>8,573</u>
	<u>22,525</u>

\$ 126,147

Carl R. Sorensen

Certified Public Accountant

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To the Township Board
Spalding Township
Menominee County, Michigan

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

I have audited the financial statements of the Governmental activities, each major fund and the aggregate remaining fund information of Spalding Township for the year ended March 31, 2008, which collectively comprise the Spalding Township basic financial statements and have issued my report thereon dated July 18, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Township's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Townships internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I did identify certain deficiencies in internal control over financial reporting that I consider to be material weaknesses as defined above.

A control deficiency exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency or a combination of control deficiencies that adversely affects the Township's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control. I consider the deficiencies described in the accompanying schedule of findings on page 29 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (continued)**

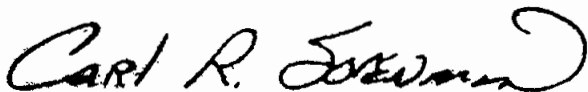
My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe that none of the significant deficiencies described above is a material weakness.

Compliance and other Matters

As part of obtaining reasonable assurance about whether Spalding Township financial statements are free of material misstatement I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

I also noted certain matters that I reported to the Management of Spalding Township in a separate letter dated July 18, 2008.

This report is intended for the information of the management of Spalding Township and the State of Michigan. However, this report is a matter of public record and its distribution is not limited.



Carl R. Sorensen
Certified Public Accountant
July 18, 2008

Carl R. Sorensen

Certified Public Accountant

844 Pierce Avenue
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SPALDING TOWNSHIP Schedule of Findings For the Year Ended March 31, 2008

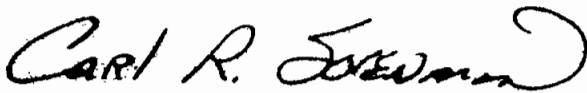
Financial Statement Findings

Reportable Condition:

Most of the Townships cash and financial reporting duties are performed by a limited number of employees. Although these employees are segregating their duties as much as possible, some of the aspects of internal control which rely on an adequate segregation of duties are missing.

The Township is not large enough to make the employment of additional persons for the purpose of segregating duties practical from a financial standpoint, but I am required under my professional responsibilities to call the situation to your attention.

The Township Board will continue to rely on its direct knowledge of the Townships operations to control and safeguard assets.



Carl R. Sorensen
Certified Public Accountant
July 18, 2008

Carl R. Sorensen

Certified Public Accountant

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July 18, 2008

Supervisor and Township Board
Spalding Township, Michigan

In planning and performing my audit of the financial statements of the Spalding Township for the year ended March 31, 2008, I considered the Townships internal control in order to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

I became aware of several matters that are opportunities for strengthening internal controls and operating efficiency that I have detailed below. I previously reported on the Townships internal control in my report dated July 10, 2008. This letter does not affect my report dated July 10, 2008, on the financial statements of the Township.

Separation of Duties

The size of the Townships office staff has prevented the separation of functions necessary to assure an adequate internal control structure. It is not practical to hire additional staff solely for the purpose of separation duties. However, the Board should continue to be aware of this condition.

Cash and Investment Accounts

A formal investment policy should be in place and reviewed annually to ensure optimal earnings on investments.

Capital Assets

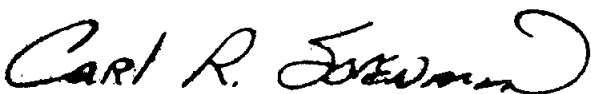
I corrected the Township's total capital assets to exclude road construction expense. According to Michigan State Statutes, roads become the property of the County Road Commission upon completion and the responsibility to maintain them rest with the Commission as well.

Conclusion

I will review the status of these comments during our next audit engagement. I will be pleased to discuss them in further detail or assist with implementation.

I thank you for allowing me to be of service to the Spalding Township.

Sincerely,



Carl R. Sorensen
Certified Public Accountant